



## **Monthly Economic and Financial Developments December 2008**

In an effort to provide the public with more frequent information on its economic surveillance activities, the Central Bank has decided to release monthly reports on economic and financial sector developments in The Bahamas. The Bank monitors these conditions as part of its monetary policy mandate, to assess whether money and credit trends are sustainable relative to levels of external reserves required to protect the value of the Bahamian dollar and, if not, the degree to which credit policies ought to be adjusted. The main data source for this surveillance is financial institutions' daily reports on foreign exchange transactions and weekly balance sheet statements. Therefore, monthly approximations may not coincide with calendar estimates reported in the Central Bank's quarterly reports. The Central Bank will release its "Monthly Economic and Financial Developments" report on the Monday following its monthly Monetary Policy Committee Meeting.

### Future Release Dates:

2009: March 2, March 30, May 3, June 1, June 29, August 4, August 31, September 28, November 2, December 29.

# Monthly Economic and Financial Developments

## December 2008

### *1. Domestic Economic Developments*

During December, domestic economic developments continued to be adversely affected by the slump in global economic activity. Additional layoffs in the hotel sector pointed to significantly reduced seasonal activity and weakness in the short-term outlook for tourism. Meanwhile, support for private consumption and investment expenditures remained subdued, owing both to weak employment conditions and the accumulated slowdown in credit expansion. Buoyed by the pass-through effects of earlier commodity price increases on consumer goods and services, the average inflation rate firmed during 2008. On the monetary front, both liquidity and external reserves contracted during December, as the expansion in credit contrasted with a net withdrawal of deposits from banks. However, their levels were significantly improved in the annual comparisons, as the abatement in credit expansion paced ahead of the slowdown in deposit growth. The economic deterioration also contributed to further erosion in credit quality indicators in the banking sector.

Mainly impacted by the falloff in travel demand from the United States, tourist arrivals fell further by 6.1% over the first nine months of the year, in comparison to a more moderate 4.2% in 2007. Reflecting the heightened deterioration during the second half of the year, arrivals fell by 15.2% during the third quarter, in contrast to a 1.7% advance during the September quarter of 2007. In particular, the respective 11.6% and 17.0% third quarter falloff in air and sea traffic culminated in reductions of 2.8% and 7.8% over first nine months of 2007. Port of entry data showed continued decline in visitors to New Providence, by 9.2%, incorporating a third quarter decrease of 16.7% and led by weakness in sea arrivals (15.3%). Although Grand Bahama arrivals improved by 3.1% in the third quarter, a year-to-date decrease of 9.3% was recorded, based on reductions in both air (13.5%) and sea (7.3%) visitors; while arrivals to the Family Islands rose on a year-to-date basis, by 2.3%, despite a third quarter deterioration of 20.9%, as increased sea visitors (4.6%) outweighed the contraction in air traffic (7.0%).

For 2008, the average annual inflation rate firmed to 4.5% from 2.5% in 2007. More escalated cost increases on imported commodities underpinned an advance for food & beverages of 6.7%; while higher fuel prices led to firming in housing costs (including electricity expenses) of 3.5% and in transportation & communications costs of 3.0%. Significant average price gains were also noted for "other" goods & services (7.5%), furniture & household operations (6.8%) and medical care & health (5.0%). As regard retail fuel prices, the cost of diesel rose in December, by \$1.00 to \$4.89 per gallon and gasoline, by \$0.87 to \$4.92 per gallon—both exceeding the respective estimates of \$4.00 and \$4.50 per gallon in December 2007.

### *2. International Developments*

The strong headwinds which affected the global economy during 2008 intensified in the fourth quarter, with most of the major economies either recording a significant slowdown in growth or contraction in real output. In efforts to combat the crisis, major countries offered fiscal stimulus

packages, equivalent in most cases to 1%-5% of their respective GDP, supplemented by a sustained easing of monetary policies.

Reflecting a broad-based slowdown in consumer spending, indications are that the US economy continued to worsen in the fourth quarter. During November, personal consumption expenditures decreased by \$56.1 billion (0.6%) and, despite significant price discounting during the Christmas season, December's retail sales declined by 2.7% over the previous month, constrained by decreases in both personal and disposable income of 0.2% and 0.1%, respectively, and a slump in consumer confidence to historic lows. As evidence of the protracted weakness in the housing sector, housing starts and completions fell by 15.5% and 5.2%, respectively in December, while the forward looking indicator, building permits issued, contracted by 10.7%. In response to the crisis, the US Government pledged to provide significant credit support for the automobile industry; and foreshadowed plans to implement a second stimulus package, focused on infrastructure spending and tax cuts. Meanwhile, the Federal Reserve decreased its target federal funds rate from 1.00% to a range of 0%-0.25% and the discount rate, by 75 basis points to 0.50%.

The UK economy slipped into recession in the fourth quarter, with real GDP falling by 1.5%, following a decline of 0.6% in the previous period. Data for November revealed that reduced export demand, particularly from the US, factored into this outcome; and fourth quarter growth in retail sales slowed to its lowest pace since 2006. Reflecting these trends, the unemployment rate rose by 0.4 percentage points to 6.1% in the three months to November. As a further policy response to the soft economic conditions, in December the Government announced that it would reduce the fees charged on its £250 billion loan guarantee programme and extend the programme's life from three to five years. In the same month, the Bank of England lowered its benchmark interest rate by 0.5 percentage points to 1.50%, the lowest level since 1975.

Euro Area economies remained moribund during the review period, as total output fell by 0.2% in the third quarter. More recent data for November revealed declines in industrial production (1.6%) and construction activity (1.1%). Amid fears that the slowdown could deepen, the European Commission proposed a €200 billion stimulus plan in November, to augment measures already announced by countries such as Germany, France and Spain. On the monetary front, the European Central Bank reduced its key policy rate by 75 basis points in December, to its lowest levels since 2003.

Economic conditions were also further deteriorated in Asia's leading economies. In November, the Chinese authorities announced the implementation of a 4 trillion Yuan (US\$550 billion) stimulus package to offset the slowdown in real GDP growth, estimated at 9.0% in the first nine months of the year, compared to 11.9% in 2007. During December, softness in demand contributed to a 21.3% falloff in imports and an increase in the trade surplus to US\$39.0 billion. In Japan, real output contracted by a revised annual rate of 1.8% in the third quarter, owing to a decline in residential investments and public sector demand. In response to the weakness, the Bank of Japan reduced its target rate by 20 basis points to 0.1% in December, and the Government signalled that it would implement a series of measures to stabilize the economy in the near-term and to promote long-term growth.

In the commodities market, as the economic crisis continued to reduce demand and increase inventories, the price of oil fell by 25.5% to \$39.53 per barrel in December. In contrast, the respective prices of gold and silver rose by 7.8% and 10.6%, to \$882.05 and \$11.39 per ounce.

Given the heightened uncertainty in the global economy, the performances of the major stock indices remained volatile and mixed during December. In the United States, the (DJIA) Dow Jones Industrial Average fell by 0.6% to 8,776.4 points, while the S&P 500 index advanced by 0.7% to 900.1 points. In Europe, the UK's FTSE 100 share price index strengthened by 3.4% to 4,434.2 points; Germany's DAX index firmed by 3.0% to 4,810.2 points, while France's CAC 40 fell by 1.4% to 3,218.0 points. In Asia, Japan's Nikkei 225 index rose by 4.1% to 8,859.6 points; however, China's SE index fell by 2.7% to 1,820.8 points.

### ***3. Domestic Monetary Trend***

During the month of December, bank liquidity contracted, owing to a stronger expansion in credit relative to a net drawdown in Bahamian dollar deposits. However, liquidity was significantly improved during 2008, due to a more sizeable slowdown in credit growth relative to the moderation in deposit base gains.

#### ***December 2008 vs. 2007***

In December, excess reserves contracted by \$55.2 million to \$207.3 million, exceeding the previous year's reduction of \$17.9 million. The decline in the broader excess liquid assets was marginally extended to \$26.8 million, placing the surplus at \$259.2 million.

External reserves fell by \$27.3 million during the review period, in contrast to an increase of \$7.5 million in 2007 as the Central Bank's net foreign currency transactions were reversed to a net sale of \$30.1 million from a net purchase of \$5.5 million in 2007. Underlying this development was a strengthened net sale to the public sector of \$11.8 million to \$15.9 million, and a turnaround in transactions with commercial banks to a \$14.2 million net sale from a \$9.6 million net purchase a year earlier. Commercial banks' transactions with their customers were also reversed, from a net purchase of \$18.1 million to a net sale of \$30.1 million.

With a turnaround in public sector trends, Bahamian dollar credit expansion strengthened by 24.0% to \$42.4 million. Net claims on Government advanced by \$5.7 million, following a net repayment of \$25.0 million in 2007; and the \$8.5 million hike in claims on the public sector contrasted with a \$7.1 million decrease in the previous period. However, growth in private sector credit was more than halved, to \$28.2 million, marked by a downturn in consumer credit of \$8.8 million, and a 50% tapering in mortgage gains to \$15.0 million.

Foreign currency credit growth narrowed to \$7.0 million from \$36.6 million a year earlier. This reflected an abated increase in net credit to Government of \$4.2 million from \$21.5 million in 2007; and in the private sector component, to \$2.9 million from \$17.6 million in 2007. Credit to the rest of the public sector declined further by \$0.1 million.

Bahamian dollar deposits declined broadly by \$23.2 million, in contrast to a \$43.8 million expansion in 2007. Demand deposits fell by \$10.2 million, a reversal from a \$29.4 million advance last year.

The decline in fixed deposits of \$5.5 million, compared to a \$25.1 million increase a year earlier; and for savings balances, was extended by \$7.5 million vis-à-vis \$10.7 million in the 2007 period.

With regards to interest rates, the weighted average deposit rate was higher by 17 basis points at 3.98%. In contrast, the weighted average loan rate fell by 18 basis points to 10.23%, with the highest rate of 6.50% offered on fixed balances over 3-6 months.

### *January – December 2008*

During 2008, excess reserves declined by \$34.4 million, vis-à-vis a \$105.5 million gain in 2007. Nevertheless, as banks invested surplus resources in Government securities, the broader excess liquid assets were further improved by \$104.4 million; albeit, some \$41.0 million below the previous year, amid slackened foreign investment and tourism related inflows.

Buoyed by public sector borrowing activities, external reserves rose by \$107.9 million to \$562.7 million, outpacing growth of \$2.9 million in 2007. This outcome was explained by a turnaround in the Central Bank's foreign currency transactions, from a net sale of \$19.2 million to a net purchase of \$94.4 million. As a result of proceeds from the Government's \$100 million external bond issue in April, net outflows via the public sector were approximately halved to \$102.6 million. Similarly, the net purchase from commercial banks rose by \$6.4 million to \$197.0 million, despite a \$17.1 million reduction in banks' net purchase from the private sector.

Bahamian dollar credit expansion slowed by 25% to \$468.8 million. Private sector credit growth tapered to \$385.6 million (6.8%) from \$524.6 million (10.2%), as the consumer credit increase abated to \$113.2 million (5.4%) from \$215.3 million (11.4%), and mortgage gains narrowed to \$211.0 million (8.3%) from \$300.0 million (13.4%). Moreover, the increase in the net claim on the Government was lower at \$61.4 million from \$170.1 million in 2007; albeit, credit to public corporations rose by \$21.8 million, a turnaround from the \$68.7 million net repayment in 2007.

Asset quality indicators for December revealed further weakening in commercial banks' loan portfolios, as the value of private sector loans experiencing payment arrears of 31 days and over rose further by \$79.7 million, for a 12-month increase of \$235.8 million (44.5%) to \$766.0 million. This was equivalent to an estimated 12.4% of total loans, compared to 9.27% and 7.47% at end-2007 and 2006, respectively. With regards to the main components, loan arrears in the 31–90 day period increased by \$119.8 million (43.1%) to \$398 million; while non-performing balances, having arrears beyond 90 days and on which interest accrual has ceased, grew by \$116.0 million (46.1%) to \$368 million.

In terms of the main categories, the largest increase in facilities affected by arrears during 2008 was noted for mortgages, of \$100.5 million (38.1%), raising the corresponding arrears rate by 2.8 percentage points to 13.24%. Similarly, total consumer and commercial loans in arrears grew by \$68.2 million (39.6%) and \$67.1 million (71.4%), with the respective arrears rate increasing by 2.49 and 6.23 percentage points to 10.8% and 15.5%. In tandem with the deteriorating loan quality, commercial banks increased provisions for loan loss expenses by \$48.5 million (40.2%). However, given the rapid expansion in arrears, provisions decreased, both in proportion to total arrears and non-performing loans, by 0.68 and 1.95 percentage points, to 22.09% and 45.98%, respectively.

Providing some evidence of the strain in credit markets, data for the January-November 2008 period revealed that net consumer lending was significantly skewed towards debt consolidation loans, which rose by \$92.0 million vis-à-vis \$39.3 million in 2007. Growth in credit card claims also firmed marginally to \$26.5 million. However, net lending for land purchases slowed by \$7.9 million to \$16.5 million; and contractions were registered for miscellaneous credit (\$5.3 million) and private cars (\$6.3 million), following respective year-earlier gains of \$64.0 million and \$18.5 million.

Owing to a net repayment by both the Government and the private sector, foreign currency credit contracted by \$11.0 million in 2008, reversing growth of \$30.5 million in 2007. Credit to the private sector fell by \$92.4 million, offsetting a \$37.4 million expansion noted a year earlier, and net credit to the Government declined by \$19.5 million, reversing 2007's increase of \$18.9 million. Conversely, the public corporations' foreign currency liabilities to banks rose by \$100.0 million, relative to a \$25.8 million contraction in 2007, due mainly to increased borrowing by a local utility company.

Accretions to Bahamian dollar deposits slowed to \$311.9 million from \$427.1 million in 2007. Demand deposit growth was nearly halved to \$6.4 million; savings deposit gains narrowed by 29.5% to \$28.7 million, and increases in fixed deposits waned by 26.1% to \$276.9 million.

#### ***4. Outlook and Policy Implications***

The challenges faced by the Bahamian economy are expected to continue into 2009, with prospects for an improvement more likely during 2010. In particular, conditions in the US economy, which underpinned most of the support for tourism, are projected to deteriorate further over the opening months of the year before any recovery commences. Both the speed and timing of the recovery is likely to depend on the pace at which the proposed fiscal stimulus plan, valued at more than \$800 billion, is implemented. Meanwhile, foreign investment activity and the underlying support for the construction sector, is expected to remain subdued, with any significant turnaround in external sector stimuli, being linked to the stabilization and strengthening of global financial markets. In this regard, the full extent of global monetary and fiscal intervention that is needed to cause a normalization of credit and capital flows has not yet been fully determined. As a result, the domestic unemployment rate could increase further during 2009, cushioned, however, by the expansionary effects of intensified public sector investments. Given the projected increased spending on infrastructure and social assistance, and the weakened revenue outlook, both the fiscal deficit and public sector debt to GDP ratios are expected to increase in the short-term.

In the monetary sector, credit expansion is expected to remain moderate in 2009, owing both to a projected slowdown in deposit growth, and the more conservative lending posture taken by banks in response to the increased credit risks posed by the weak economy. These trends, along with the support from public sector external borrowing, are expected to soften the negative outlook for the external reserves and help sustain a healthy level of liquidity within the banking system. The Central Bank will continue to monitor these developments, to ensure the continued stability of the financial sector and the Bahamian dollar.

# Recent Monetary and Credit Statistics

(B\$ Millions)

	<b>DECEMBER</b>					
	<b>Value</b>		<b>Change</b>		<b>Change YTD</b>	
	<b>2007</b>	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>	<b>2008</b>
<b>1.0 LIQUIDITY &amp; FOREIGN ASSETS</b>						
1.1 Excess Reserves	241.69	207.30	-17.89	-55.17	105.53	-34.39
1.2 Excess Liquid Assets	154.84	259.24	-24.83	-26.75	145.41	104.40
1.3 External Reserves	454.80	562.73	7.50	-27.29	2.90	107.92
1.4 Bank's Net Foreign Assets	-688.85	-708.28	-34.67	-6.64	-56.45	-19.43
1.5 Usable Reserves	104.49	233.58	3.32	-1.82	-54.22	129.10
<b>2.0 DOMESTIC CREDIT</b>						
<b>2.1 Private Sector</b>	<b>6,209.95</b>	<b>6,503.16</b>	<b>83.89</b>	<b>31.12</b>	<b>561.91</b>	<b>293.21</b>
a. B\$ Credit	5,678.14	6,063.78	66.30	28.22	524.56	385.64
of which: Consumer Credit	2,101.71	2,214.92	31.30	-8.77	215.36	113.21
Mortgages	2,540.23	2,751.25	32.48	14.99	299.95	211.02
b. F/C Credit	531.81	439.37	17.59	2.90	37.35	-92.43
of which: Mortgages	54.02	85.33	4.31	4.75	22.70	31.31
<b>2.2 Central Government (net)</b>	<b>857.03</b>	<b>898.95</b>	<b>-3.44</b>	<b>9.89</b>	<b>188.99</b>	<b>41.92</b>
a. B\$ Loans & Securities	963.60	1,033.23	-7.58	-4.04	174.39	69.63
Less Deposits	128.17	136.42	17.37	-9.73	4.32	8.25
b. F/C Loans & Securities	23.16	3.91	19.84	1.42	18.19	-19.25
Less Deposits	1.56	1.77	-1.66	-2.77	-0.73	0.21
<b>2.3 Rest of Public Sector</b>	<b>279.19</b>	<b>401.83</b>	<b>-9.62</b>	<b>8.43</b>	<b>-94.49</b>	<b>122.65</b>
a. B\$ Credit	63.09	84.87	-7.14	8.52	-68.68	21.78
b. F/C Credit	216.10	316.96	-2.48	-0.09	-25.81	100.86
<b>2.4 Total Domestic Credit</b>	<b>7,346.17</b>	<b>7,803.94</b>	<b>70.83</b>	<b>49.44</b>	<b>656.41</b>	<b>457.78</b>
a. B\$ Domestic Credit	6,576.67	7,045.47	34.22	42.44	625.95	468.81
b. F/C Domestic Credit	769.50	758.47	36.61	7.00	30.46	-11.03
<b>3.0 DEPOSIT BASE</b>						
3.1 Demand Deposits	1,088.58	1,094.97	29.41	-10.20	11.82	6.39
a. Central Bank	9.82	8.95	3.28	7.26	-7.40	-0.87
b. Banks	1,078.76	1,086.02	26.13	-17.46	19.22	7.26
3.2 Savings Deposits	991.35	1,020.03	-10.74	-7.52	40.64	28.67
3.3 Fixed Deposits	3,155.53	3,432.40	25.09	-5.46	374.59	276.86
3.4 Total B\$ Deposits	5,235.47	5,547.39	43.76	-23.18	427.05	311.92
3.5 F/C Deposits of Residents	199.68	168.98	-7.47	12.30	18.76	-30.70
<b>3.6 M2</b>	<b>5,448.55</b>	<b>5,753.19</b>	<b>56.59</b>	<b>-15.94</b>	<b>414.97</b>	<b>304.64</b>
<b>3.7 External Reserves/M2 (%)</b>	<b>8.35</b>	<b>9.78</b>	<b>0.05</b>	<b>-0.45</b>	<b>-0.63</b>	<b>1.43</b>
<b>3.8 Reserves/Base Money (%)</b>	<b>67.57</b>	<b>87.25</b>	<b>1.43</b>	<b>2.26</b>	<b>-12.82</b>	<b>19.69</b>
<b>3.9 External Reserves/Demand Liabilities (%)</b>	<b>ND</b>	<b>85.29</b>	<b>ND</b>	<b>2.19</b>	<b>ND</b>	<b>ND</b>
	<b>Value</b>	<b>Year to Date</b>	<b>Change</b>			
	<b>2007</b>	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>Month</b>	<b>YTD</b>
<b>4.0 FOREIGN EXCHANGE TRANSACTIONS</b>						
<b>4.1 Central Bank Net Purchase/(Sale)</b>	<b>5.53</b>	<b>-30.09</b>	<b>-19.15</b>	<b>94.38</b>	<b>-35.62</b>	<b>113.52</b>
a. Net Purchase/(Sale) from/to Banks	9.57	-14.23	190.59	196.96	-23.79	6.36
i. Sales to Banks	17.21	26.97	283.61	239.09	9.76	-44.52
ii. Purchases from Banks	26.78	12.74	474.20	436.04	-14.03	-38.16
b. Net Purchase/(Sale) from/to Others	-4.03	-15.86	-209.74	-102.58	-11.83	107.16
i. Sales to Others	56.64	43.05	505.31	672.11	-13.59	166.80
ii. Purchases from Others	52.60	27.19	295.57	569.53	-25.42	273.96
<b>4.2 Banks Net Purchase/(Sale)</b>	<b>18.07</b>	<b>-32.05</b>	<b>192.73</b>	<b>173.57</b>	<b>-50.12</b>	<b>-19.16</b>
a. Sales to Customers	333.72	525.74	3,570.27	4,626.90	192.02	1,056.63
b. Purchases from Customers	351.79	493.68	3,763.01	4,800.48	141.90	1,037.47
<b>4.3 B\$ Position (change)</b>	<b>-2.96</b>	<b>4.71</b>				
<b>5.0 EXCHANGE CONTROL SALES</b>						
<b>5.1 Current Items</b>	<b>289.66</b>	<b>242.59</b>	<b>3,423.60</b>	<b>3,597.18</b>	<b>-47.08</b>	<b>173.58</b>
<b>of which Public Sector</b>	<b>36.79</b>	<b>2.24</b>	<b>501.92</b>	<b>588.25</b>	<b>-34.55</b>	<b>86.33</b>
a. Nonoil Imports	114.51	105.37	1,429.73	1,400.67	-9.14	-29.07
b. Oil Imports	33.19	17.13	470.49	678.41	-16.06	207.92
c. Travel	31.89	22.63	277.31	245.33	-9.26	-31.99
d. Factor Income	8.13	3.05	107.75	74.79	-5.08	-32.96
e. Transfers	9.98	25.43	94.29	101.69	15.45	7.40
f. Other Current Items	91.96	68.97	1,044.02	1,096.30	-22.98	52.28
<b>5.2 Capital Items</b>	<b>19.51</b>	<b>15.96</b>	<b>116.01</b>	<b>97.51</b>	<b>-3.55</b>	<b>-18.50</b>
<b>of which Public Sector</b>	<b>5.57</b>	<b>0.00</b>	<b>41.61</b>	<b>25.67</b>	<b>-5.57</b>	<b>-15.94</b>
<b>5.3 Bank Remittances</b>	<b>1.00</b>	<b>0.00</b>	<b>24,869.00</b>	<b>3,050.00</b>	<b>-1.00</b>	<b>-21,819.00</b>

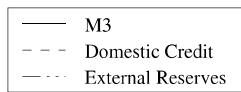
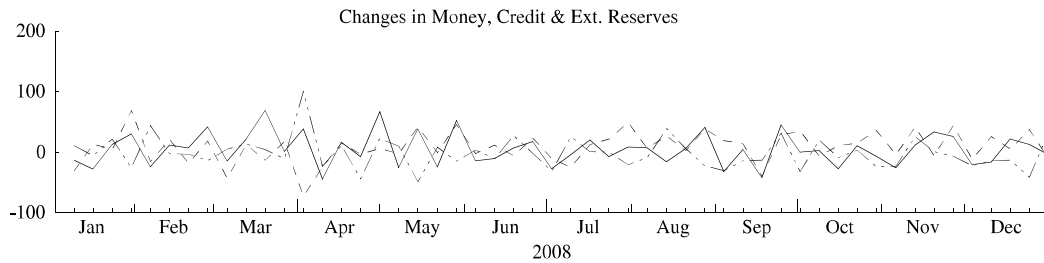
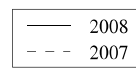
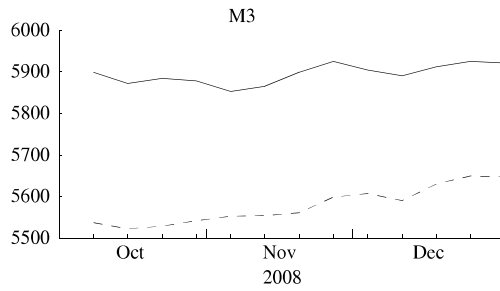
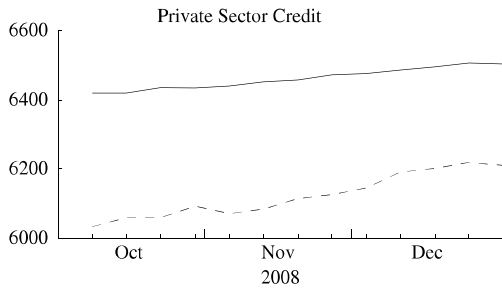
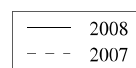
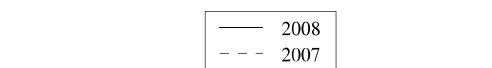
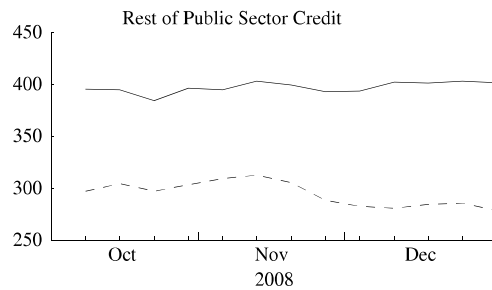
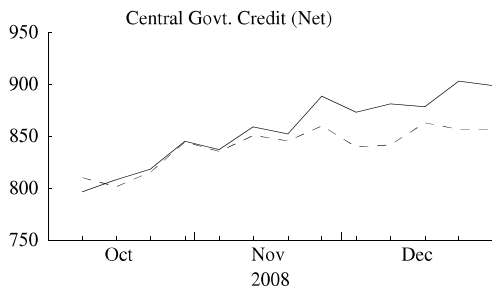
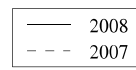
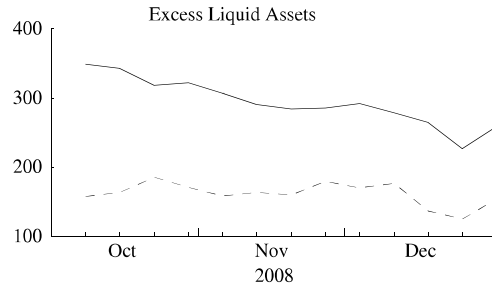
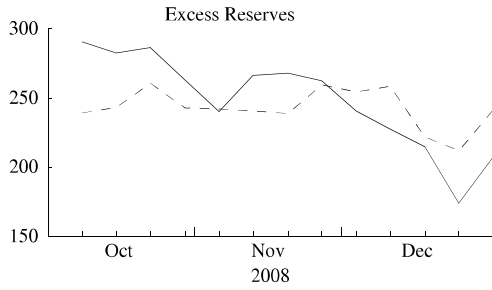
Sources: Research Department Weekly Brief Database and Banking Brief for the weeks ending: JANUARY 02, 2008 and DECEMBER 31, 2008

Exchange Control Sales figures are as at month end.

Notes: 1.0, 2.0 and 3.0 YTD change reflects change of current month over previous year end; for 4.0 and 5.0 change is over corresponding period of previous year.

Components may not sum to totals due to round-off error.

## SELECTED MONEY AND CREDIT INDICATORS (B\$ Millions)





## Selected International Statistics

<b>A: Selected Macroeconomic Projections</b> (Annual % Change and % of labor force)						
	Real GDP		Inflation Rate		Unemployment	
	2008	2009	2008	2009	2008	2009
Bahamas	4.2	3.2	5.7	2.0	8.7	n/a
United States	1.6	0.1	4.2	1.8	5.6	6.9
Euro-Area	1.3	0.2	3.5	1.9	7.6	8.3
<i>Germany</i>	<i>1.8</i>	-	<i>2.9</i>	<i>1.4</i>	<i>7.4</i>	<i>8.0</i>
Japan	0.7	0.5	0.6	1.6	4.1	4.5
United Kingdom	1.0	-0.1	3.8	2.9	5.4	6.0
Canada	0.7	1.2	2.5	2.1	6.2	6.3

*Sources: IMF World Economic Outlook, October 2008 & The Bahamas Department of Statistics.*

<b>B: Official Interest Rates – Selected Countries (%)</b>					
<i>With effect</i>  <i>from</i>	CBOB	ECB (EU)	Federal Reserve (US)		Bank of England
	Bank Rate	Refinancing Rate	Primary Credit Rate	Target Funds Rate	Repo Rate
December 2006	5.25	3.50	6.25	5.25	5.00
January 2007	5.25	3.50	6.25	5.25	5.25
February 2007	5.25	3.50	6.25	5.25	5.25
March 2007	5.25	3.75	6.25	5.25	5.25
April 2007	5.25	3.75	6.25	5.25	5.25
May 2007	5.25	3.75	6.25	5.25	5.50
June 2007	5.25	4.00	6.25	5.25	5.50
July 2007	5.25	4.00	6.25	5.25	5.75
August 2007	5.25	4.00	5.75	5.25	5.75
September 2007	5.25	4.00	5.25	4.75	5.75
October 2007	5.25	4.00	5.00	4.50	5.75
November 2007	5.25	4.00	5.00	4.50	5.75
December 2007	5.25	4.00	4.75	4.25	5.50
January 2008	5.25	4.00	3.50	3.00	5.50
February 2008	5.25	4.00	3.50	3.00	5.25
March 2008	5.25	4.00	2.50	2.25	5.25
April 2008	5.25	4.00	2.25	2.00	5.00
May 2008	5.25	4.00	2.25	2.00	5.00
June 2008	5.25	4.00	2.25	2.00	5.00
July 2008	5.25	4.25	2.25	2.00	5.00
August 2008	5.25	4.25	2.25	2.00	5.00
September 2008	5.25	4.25	2.25	2.00	5.00
October 2008	5.25	3.75	1.25	1.00	4.50
November 2008	5.25	3.25	1.25	1.00	3.00
December 2008	5.25	2.00	0.50	0.00-0.25	1.50

## Selected International Statistics

<b>C. Selected Currencies (Per United States Dollars)</b>						
Currency	Dec-07	Nov-08	Dec-08	Mthly % Change	YTD % Change	12-Mth% Change
Euro	0.6854	0.7880	0.7157	-9.2	4.4	4.4
Yen	111.71	95.52	90.68	-5.1	-18.8	-18.8
Pound	0.5038	0.6505	0.6836	5.1	35.7	35.7
Canadian \$	0.9984	1.2399	1.2205	-1.6	22.2	22.2
Swiss Franc	1.1335	1.2138	1.0695	-11.9	-5.6	-5.6
<i>Source: Bloomberg as at December 31, 2008</i>						

<b>D. Selected Commodity Prices (\$)</b>					
Commodity	December 2007	November 2008	December 2008	Mthly % Change	YTD % Change
Gold / Ounce	833.92	818.05	882.05	7.8	5.77
Silver / Ounce	14.79	10.30	11.39	10.6	-22.99
Oil / Barrel	94.92	53.09	39.53	-25.5	-58.35
<i>Source: Bloomberg as at December 31, 2008</i>					

<b>E. Equity Market Valuations – December 31, 2008 (%chg)</b>								
	BISX	DJIA	S&P 500	FTSE 100	CAC 40	DAX	Nikkei 225	SE
1 month	-4.41	-0.60	0.54	3.41	-1.37	3.01	4.08	-2.69
3 month	-5.21	-5.88	-6.95	1.30	-7.72	-3.56	3.29	5.32
YTD	-17.15	-33.84	-39.07	-31.33	-42.68	-40.37	-42.12	-65.39
12-month	-17.15	-33.84	-39.07	-31.33	-42.68	-40.37	-42.12	-65.39
<i>Sources: Bloomberg and BISX</i>								

<b>F: Short Term Deposit Rates in Selected Currencies (%)</b>			
	USD	GBP	EUR
o/n	0.83	1.00	1.90
1 Month	0.30	2.05	2.40
3 Month	1.25	2.00	2.70
6 Month	1.70	2.71	2.90
9 Month	1.95	2.95	2.90
1 year	2.05	2.83	2.89
<i>Source: Bloomberg, as at December 31, 2008</i>			

# SUMMARY ACCOUNTS OF THE CENTRAL BANK

(B\$ Millions)

	VALUE											CHANGE						
	Nov. 05	Nov. 12	Nov. 19	Nov. 26	Dec. 03	Dec. 10	Dec. 17	Dec. 24	Dec. 31	Nov. 05	Nov. 12	Nov. 19	Nov. 26	Dec. 03	Dec. 10	Dec. 17	Dec. 24	Dec. 31
<b>I. External Reserves</b>	609.83	594.50	585.21	590.02	587.96	577.82	573.49	558.17	562.73	-16.39	-15.33	-9.29	4.81	-2.06	-10.14	-4.33	-15.32	4.56
<b>II. Net Domestic Assets (A + B + C + D)</b>	-135.98	-94.47	-83.72	-94.07	-114.10	ND	ND	ND	ND	-5.96	41.50	10.75	-10.35	-20.03	ND	ND	ND	ND
<b>A. Net Credit to Gov<sup>h</sup>( i + ii + iii - iv)</b>	183.45	222.02	223.25	212.95	197.40	198.15	198.99	197.26	198.82	-2.56	38.57	1.23	-10.30	-15.55	0.75	0.84	-1.73	1.56
i) Advances	71.99	71.99	71.99	71.99	71.99	71.99	71.99	71.99	71.99	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
ii) Registered Stock	126.33	126.14	126.15	125.77	125.72	125.71	125.22	124.69	124.64	0.00	-0.19	0.01	-0.38	-0.06	-0.01	-0.48	-0.54	-0.05
iii) Treasury Bills	0.00	44.15	38.17	28.24	6.33	6.33	6.33	6.33	6.33	0.00	44.15	-5.97	-9.93	-21.91	0.00	0.00	0.00	0.00
iv) Deposits	14.86	20.25	13.07	13.05	6.63	5.87	4.55	5.75	4.13	2.56	5.39	-7.19	-0.02	-6.42	-0.76	-1.32	1.20	-1.61
<b>B. Rest of Public Sector (Net) (i + ii - iii)</b>	-10.09	-13.43	5.93	4.79	-0.82	-7.28	-9.79	-5.98	-2.48	1.94	-3.34	19.35	-1.14	-5.61	-6.45	-2.51	3.80	3.51
i) BDB Loans	6.48	6.48	6.48	6.48	6.48	6.48	6.48	6.48	6.48	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
ii) BMC Bonds	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
iii) Deposits	16.56	19.90	0.55	1.69	7.30	13.75	16.26	12.46	8.95	-1.94	3.34	-19.35	1.14	5.61	6.45	2.51	-3.80	-3.51
<b>C. Loans to/Deposits with Banks</b>	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
<b>D. Other Items (Net)*</b>	-309.35	-303.07	-312.90	-311.80	-310.68	ND	ND	ND	ND	-5.34	6.28	-9.83	1.10	1.13	ND	ND	ND	ND
<b>III. Monetary Base</b>	473.85	500.03	501.49	495.95	473.86	ND	ND	ND	ND	-22.35	26.18	1.46	-5.54	-22.09	ND	ND	ND	ND
A. Currency in Circulation	89.64	90.44	80.65	84.52	91.56	ND	ND	ND	ND	8.51	0.80	-9.79	3.87	7.04	ND	ND	ND	ND
B. Bank Balances with CBOB	384.21	409.59	420.84	411.43	382.30	362.54	351.82	310.55	321.38	-30.87	25.38	11.25	-9.41	-29.13	-19.77	-10.71	-41.27	10.82

\* Includes capital, provisions and surplus account, fixed and other assets, and other demand liabilities of Bank

# FISCAL/REAL SECTOR INDICATORS

(B\$ MILLIONS)

(% change represents current month from previous month)

	JUL		AUG		SEP		OCT		NOV		DEC		YEAR TO DATE	
	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008
<b>Fiscal Operations:</b>														
1. Government Revenue & Grants	111.5	101.1	94.3	118.9	87.9	108.3	112.1	87.8	112.1	87.8	112.1	87.8	512.8	510.7
% change	-19.4%	-27.0%	-15.6%	17.2%	-6.7%	14.0%	4.8%	-18.9%	4.8%	-18.9%	4.8%	-18.9%	-4.7%	-0.4%
2. Import Duties	42.9	30.8	40.0	32.1	39.3	35.6	46.6	30.6	46.6	30.6	46.6	30.6	215.3	162.3
% change	-28.0%	-48.4%	-6.9%	4.2%	-1.6%	6.9%	-0.4%	-14.0%	6.9%	-14.0%	6.9%	-14.0%	7.7%	-24.0%
3. Recurrent Expenditure	101.6	116.7	99.1	100.0	90.7	114.9	106.0	111.2	106.0	111.2	106.0	111.2	504.6	557.4
% change	-34.0%	-34.2%	-2.9%	-14.3%	-8.4%	0.2%	-1.2%	-3.8%	0.2%	-1.2%	0.2%	-3.8%	13.7%	10.45%
4. Capital Expenditure	7.6	8.2	8.5	10.8	13.0	9.5	14.6	10.0	14.6	10.0	14.6	10.0	57.5	47.8
% change	-77.8%	-75.9%	85.0%	31.7%	-7.1%	-12.0%	73.1%	8.9%	73.1%	8.9%	73.1%	8.9%	109.4%	-16.99%
5. Deficit/Surplus*	0.8	-28.4	-23.9	3.4	-27.7	-35.1	-14.0	-40.2	-14.0	-40.2	-14.0	-40.2	-77.4	-121.4
% change	-101.2%	-56.8%	-317.9%	-111.9%	15.7%	-1132.3%	-54.6%	-39.9%	-118.0%	90.9%	-118.0%	90.9%	65.45%	56.89%

	JAN		FEB		MAR		APR		MAY		JUN		JUL		AUG		SEP		OCT		NOV		DEC		YEAR TO DATE	
	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008
<b>Debt**</b>																										
6. Total Debt	2,389.4	2,656.0	2,379.3	2,656.2	2,430.0	2,624.4	2,418.2	2,687.6	2,440.0	2,677.6	2,441.2	2,677.5	2,540.7	2,680.0	2,541.2	2,681.1	2,549.1	2,765.2	2,594.1	2,759.3	2,619.8	2,752.4	2,655.5	2,765.8		
% change	3.4%	-0.2%	-0.4%	0.0%	2.7%	-0.4%	2.4%	-0.3%	0.0%	-0.3%	0.0%	0.0%	-4.0%	0.0%	0.0%	0.0%	0.3%	3.1%	1.3%	-0.4%	1.1%	-0.6%	0.5%	0.4%		
7. External Debt	282.8	272.4	292.7	276.6	293.4	271.9	288.0	370.9	289.6	370.8	270.7	370.8	270.7	373.4	271.3	374.4	271.1	373.5	271.2	371.7	270.8	371.7	272.4	383.0		
% change	2.1%	0.0%	-0.6%	0.0%	0.2%	-0.2%	-0.6%	36.4%	0.0%	0.0%	0.4%	0.0%	0.0%	0.0%	0.0%	0.2%	-0.1%	-0.1%	0.0%	-0.4%	-0.1%	0.0%	0.5%	3.0%		
8. Internal F/C Debt	5.0	29.2	5.0	29.2	5.0	29.2	4.1	2.3	4.1	2.3	4.1	2.3	4.1	2.3	4.1	2.3	4.1	2.3	4.1	2.3	4.1	2.3	4.1	2.3	1.4	
% change	50.0%	484.0%	0.0%	0.0%	0.0%	0.0%	-18.1%	-60.2%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	-22.2%	-48.0%	63.57%	0.0%		
9. Bahamian Dollar Debt	2,091.6	2,339.4	2,081.6	2,339.4	2,131.6	2,329.4	2,146.1	2,314.4	2,166.4	2,304.4	2,166.4	2,304.4	2,265.9	2,304.4	2,265.9	2,304.4	2,273.9	2,389.4	2,308.9	2,379.4	2,339.9	2,379.4	2,339.9	2,379.4		
% change	3.4%	-0.2%	-0.4%	0.0%	2.4%	-0.4%	0.6%	-0.4%	0.0%	0.0%	0.0%	0.0%	-4.3%	0.0%	0.0%	0.0%	0.3%	3.0%	1.3%	-0.4%	1.1%	0.0%	0.0%	0.0%		
10. Total Amortization	0.5	0.5	10.1	0.1	0.7	10.7	32.9	37.7	25.0	10.1	0.1	0.1	0.5	0.0	0.1	0.0	20.7	15.9	1.0	11.8	2.0	0.9	0.1	0.1		
% change	-50.0%	362.0%	1915.0%	-80.46%	-92.2%	11076.7%	473.7%	230.7%	-24.0%	-98.5%	-99.5%	-98.5%	369.7%	-100.0%	-81.4%	-81.4%	21890.0%	15.9%	-95.17%	-25.7%	100.8%	-92.3%	-94.0%	-88.0%		

	JAN		FEB		MAR		APR		MAY		JUN		JUL		AUG		SEP		OCT		NOV		DEC		YEAR TO DATE	
	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008
<b>Real Sector Indicators</b>																										
12. Retail Price Index	121.2	124.2	121.4	121.6	121.5	121.7	121.7	121.7	122.1	122.1	122.3	123.5	122.6	129.3	122.6	122.6	123.0	123.2	124.0	124.0	123.9	123.9	123.9	123.9	116.3	
% change, over previous month	0.3%	0.9%	0.1%	0.1%	0.0%	0.0%	0.0%	0.2%	0.2%	0.2%	0.2%	0.3%	0.0%	0.2%	0.0%	0.0%	0.3%	0.0%	0.7%	-0.0%	-0.1%	-0.1%	-0.1%	-0.1%	-4.8%	
13. Tourist arrivals (000's)	397.3	372.7	376.7	430.9	500.0	500.4	423.2	396.9	399.5	399.3	369.3	395.9	376.8	341.5	375.3	344.7	302.3	209.6	302.6	279.4	279.4	279.4	279.4	279.4	3490.5	
% change, over previous year	-7.1%	-4.3%	-4.3%	14.4%	-0.0%	0.0%	-14.6%	-0.2%	-3.9%	-3.9%	-8.3%	-3.1%	-19.7%	-9.4%	-3.7%	-3.2%	-4.3%	-30.7%	30.7%	30.7%	30.7%	30.7%	30.7%	30.7%	-6.06%	
14. Air arrivals (000's)	103.4	110.8	118.1	125.8	168.0	168.8	144.0	138.1	138.5	138.5	139.9	138.8	130.4	142.8	124.9	122.1	94.7	44.9	94.7	94.7	94.7	94.7	94.7	94.7	1150.0	
% change, over previous year	-0.2%	7.0%	6.5%	6.5%	-2.0%	-0.7%	-9.0%	-4.1%	1.3%	1.3%	-0.3%	-0.8%	-20.6%	9.5%	2.0%	-2.3%	-30.0%	-32.6%	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%	-3.70%	
15. Occupied Room Nights																										
16. Res. Mortgage Commitments-New Const.																										
% change, over previous yr.																										

\*Includes Net Funding to Public Corporations  
 \*\* Includes pre-paid to central government only unless otherwise indicated  
 P - provisional  
 Annual F1-F12 Real Price data are averages.